SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC. dba NEIGHBORWORKS® SALT LAKE

FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

CONTENTS

Lake, Hill & Myers

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

October 6, 2008

To the Board of Directors of
Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake

We have audited the accompanying statement of financial position of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake (a nonprofit organization) as of June 30, 2008 and 2007 and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake as of June 30, 2008 and 2007, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 6, 2008 on our consideration of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 23 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lake, Hill & Myers

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

STATEMENT OF FINANCIAL POSITION

ASSETS	June 30, 2008	June 30, 2007
Cash	$ 845,165	$1,150,816
Restricted cash	561,800	783,058
Grants receivable	65,766	83,573
Interest receivable – related party	19,698	-
Other receivables	15,731	70,821
Prepaid expense	27,347	21,015
Deposits	70,926	70,926
Mortgage loans receivable, less loss reserve of $123,154 and $108,679 and deferred origination fees of $28,045 and $0	2,765,379	2,469,238
Property held for development, rehabilitation and sale, less allowance for loss of $43,373 and $84,143	3,998,599	3,369,881
Investment in and advances to related real estate limited liability company	1,663,136	1,663,136
Property and equipment, net	239,661	207,691
	$10,273,208	$9,890,155

LIABILITIES AND NET ASSETS	2008	2007
Accounts payable	$ 115,376	$ 103,080
Accrued expenses	62,999	55,058
Loan proceeds payable to NHSA	102,476	-
Accrued master lease obligation	161,656	211,213
Escrow deposits	39,228	34,877
Earnest money deposits	-	6,888
Notes payable - rehabilitation and development	2,265,870	2,241,178
Long-term debt - revolving loans	1,865,965	1,878,538
Total liabilities	4,613,570	4,530,832
Net assets:		
Unrestricted	1,969,156	1,741,399
Temporarily restricted	71,015	227,028
Permanently restricted	3,619,467	3,390,896
Total net assets	5,659,638	5,359,323
	$10,273,208	$9,890,155

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year ended June 30, 2008	2007
Unrestricted net assets:		
Public support and revenue:		
Contributions:		
Private donors	$ -	$ 800
Foundations	-	11,000
Corporations	97,129	76,250
Special events	129,056	24,896
Direct cost of benefit to donors	(58,558)	(8,078)
	167,627	104,868
Public grants and contracts:		
Neighborhood Reinvestment Corporation	92,955	96,804
Restrictions satisfied	616,069	324,523
Program revenue:		
Sale of property held	1,266,884	2,607,415
Loan service fees	32,792	35,777
Miscellaneous	1,974	2,075
Interest income	278,305	257,213
	1,579,955	2,902,480
Total unrestricted public support and revenue	2,456,606	3,428,675
Expenses:		
Program services:		
Home ownership preservation and promotion	312,033	189,177
Community based economic development	2,383	19,530
Community building and organizing	346,231	311,590
Asset and property management	440,907	856,418
Real estate development	903,792	1,660,608
	2,005,346	3,037,323
Supporting services:		
Management and general	171,733	159,606
Fundraising	51,770	29,996
	223,503	189,602
Total expenses	2,228,849	3,226,925
Change in unrestricted net assets	227,757	201,750

(continued)

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

(continued)

	Year ended June 30, 2008	Year ended June 30, 2007
Temporarily restricted net assets:		
Public support and revenue:		
Private donors	$ 5,055	$ 1,783
United Way	-	559
Foundations	62,911	16,100
Corporations	184,962	165,835
	252,928	184,277
Public grants and contracts:		
Commission on Criminal and Juvenile Justice	20,000	20,000
Juvenile Justice Services	13,059	7,537
Arts Council	10,000	13,000
ADDI Grant	17,500	15,000
Salt Lake County Substance Abuse	66,178	70,000
Community Development Block Grant	60,000	60,000
Neighborhood Reinvestment Corporation	20,391	47,215
	207,128	232,752
Total temporarily restricted public support and revenue	460,056	417,029
Restrictions satisfied	(616,069)	(313,578)
Change in temporarily restricted net assets	(156,013)	103,451
Permanently restricted net assets:		
Public grants and contracts:		
Community Development Block Grant	55,487	-
Neighborhood Reinvestment Corporation	150,000	150,000
Program revenue:		
Interest income	23,084	24,834
Total permanently restricted public grants and revenue	228,571	174,834
Restrictions satisfied	-	(10,945)
Change in permanently restricted net assets	228,571	163,889
Change in net assets	300,315	469,090
Net assets, beginning of year	5,359,323	4,890,233
Net assets, end of year	$5,659,638	$5,359,323

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Program Services Expenses						Supporting Services Expenses			
	Home Ownership Preservation and Promotion	Community Based Economic Development	Community Building and Organizing	Asset and Property Management	Real Estate Development	Total program services	Management and general	Fund-raising	Total support services	Total expenses
Salaries	$ 114,995	$ 1,923	$ 177,087	$ 72,590	$ 26,189	$ 392,784	$ 130,463	$ 27,662	$ 158,125	$ 550,909
Benefits	22,000	434	20,934	10,454	10,092	63,914	6,472	6,176	12,648	76,562
Payroll taxes	13,294	-	16,324	5,576	5,576	40,770	7,568	2,116	9,684	50,454
Total salary and related expenses	150,289	2,357	214,345	88,620	41,857	497,468	144,503	35,954	180,457	677,925
Professional fees	9,425	-	46,715	6,463	3,614	66,217	5,015	5,766	10,781	76,998
Supplies	16,246	-	17,307	2,296	2,274	38,123	1,522	3,874	5,396	43,519
Communications	3,864	26	5,104	1,601	1,607	12,202	691	92	783	12,985
Occupancy	2,036	-	2,312	1,236	1,146	6,730	1,155	257	1,412	8,142
Repairs and maintenance	3,241	-	9,058	1,677	1,439	15,415	1,146	558	1,704	17,119
Travel	3,245	-	2,086	950	1,009	7,290	171	232	403	7,693
Conferences and marketing	200	-	45	-	-	245	-	515	515	760
Insurance	11,396	-	14,252	4,968	4,779	35,395	10,335	1,640	11,975	47,370
Interest	57,106	-	-	18,809	7,809	83,724	-	-	-	83,724
Training	1,562	-	10,844	437	442	13,285	220	982	1,202	14,487
Miscellaneous	38,830	-	13,979	2,527	3,063	58,399	2,330	768	3,098	61,497
Cost of property sold	-	-	-	306,828	822,838	1,129,666	-	-	-	1,129,666
Property tax expense	-	-	-	436	6,265	6,701	-	-	-	6,701
Depreciation	8,158	-	10,184	3,421	3,421	25,184	4,645	1,132	5,777	30,961
Loan closing costs	6,435	-	-	638	2,229	9,302	-	-	-	9,302
Total Expense	$ 312,033	$ 2,383	$ 346,231	$ 440,907	$ 903,792	$ 2,005,346	$ 171,733	$ 51,770	$ 223,503	$ 2,228,849

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007

	Program Services Expenses						Supporting Services Expenses			
	Home Ownership Preservation and Promotion	Community Based Economic Development	Community Building and Organizing	Asset and Property Management	Real Estate Development	Total program services	Management and general	Fund-raising	Total support services	Total expenses
Salaries	$ 67,088	$ 7,005	$ 159,421	$ 52,011	$ 35,393	$ 320,918	$ 115,169	$ 15,715	$ 130,884	$ 451,802
Benefits	7,993	1,355	17,124	9,977	11,616	48,065	5,438	2,007	7,445	55,510
Payroll taxes	6,571	690	15,766	5,255	3,504	31,786	11,192	1,507	12,699	44,485
Total salary and related expenses	81,652	9,050	192,311	67,243	50,513	400,769	131,799	19,229	151,028	551,797
Professional fees	5,748	3,974	40,758	4,320	3,299	58,099	3,902	2,350	6,252	64,351
Supplies	2,322	1,870	17,184	4,067	1,268	26,711	3,558	559	4,117	30,828
Communications	2,648	473	4,939	1,702	1,326	11,088	1,380	206	1,586	12,674
Occupancy	1,385	321	1,900	1,294	818	5,718	575	317	892	6,610
Repairs and maintenance	1,864	369	4,945	1,457	1,105	9,740	2,515	513	3,028	12,768
Travel	3,349	241	6,962	2,036	1,499	14,087	1,000	87	1,087	15,174
Conferences and marketing	-	-	2,985	-	-	2,985	-	2,938	2,938	5,923
Insurance	5,444	1,121	10,096	3,974	3,563	24,198	1,830	1,049	2,879	27,077
Interest	64,223	-	-	19,750	15,288	99,261	-	-	-	99,261
Training	1,623	144	3,461	642	527	6,397	1,037	-	1,037	7,434
Miscellaneous	12,114	556	17,935	2,949	1,972	35,526	3,543	631	4,174	39,700
Cost of property sold	-	-	-	733,186	1,561,087	2,294,273	-	-	-	2,294,273
Property tax expense	-	-	-	5,386	1,960	7,346	-	-	-	7,346
Depreciation	6,350	1,411	8,114	4,939	3,882	24,696	8,467	2,117	10,584	35,280
Loan closing costs	455	-	-	3,473	12,501	16,429	-	-	-	16,429
Total Expense	$ 189,177	$ 19,530	$ 311,590	$ 856,418	$ 1,660,608	$ 3,037,323	$ 159,606	$ 29,996	$ 189,602	$ 3,226,925

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

STATEMENT OF CASH FLOWS

	Year ended June 30, 2008	Year ended June 30, 2007
Cash flows from operating activities:		
Cash received from contributions, government, contracts, and customers	$ 2,280,974	$ 3,281,965
Interest received	301,389	282,047
Cash paid to vendors and employees	(2,451,891)	(2,522,907)
Interest paid	(97,684)	(99,035)
Net cash provided by operating activities	32,788	942,070
Cash flows from investing activities:		
Purchase of property and equipment	(62,931)	(3,285)
Decrease (increase) in restricted cash	221,258	(446,865)
Mortgage loans receivable made	(1,555,350)	(950,135)
Mortgage loans receivable payments received	1,049,002	975,023
Decrease in earnest money deposits	(6,888)	(14,612)
Net cash used in investing activities	(354,909)	(439,874)
Cash flows from financing activities:		
Increase (decrease) in notes payable - rehabilitation, net	24,692	(537,434)
Increase in escrow deposits	4,351	2,021
Decrease in long-term debt - revolving loans, net	(12,573)	(9,553)
Net cash provided by (used in) financing activities	16,470	(544,966)
Net decrease in cash	(305,651)	(42,770)
Cash at beginning of year	1,150,816	1,193,586
Cash at end of year	$ 845,165	$ 1,150,816

(continued)

See notes to financial statements.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

STATEMENT OF CASH FLOWS

(continued)

	Year ended June 30, 2008	2007
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	$ 300,315	$ 469,090
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	30,961	35,280
Change in loss reserve	14,475	(26,970)
Increase in deferred origination fees	28,045	-
Decrease in property held reserve	(40,770)	(95,513)
Change in assets and liabilities:		
Decrease (increase) in grants receivable	17,807	(61,932)
Increase in interest receivable – related party	(19,698)	-
Decrease (increase) in other receivables	55,090	(70,071)
Increase in prepaid expenses	(6,332)	(10,640)
(Increase) decrease in property held, net	(420,261)	692,429
Increase in accounts payable	12,296	50,176
Increase in accrued expenses	7,941	3,242
Increase in loan proceeds payable to NHSA	102,476	-
Decrease in accrued master lease obligation	(49,557)	(43,021)
Net cash provided by operating activities	$ 32,788	$ 942,070

Schedule of non-cash investing and financing activities:

None.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake (the Organization) is a non-profit organization organized under the laws of the State of Utah to assist in residential revitalization and promotion of home ownership in target areas in and surrounding Salt Lake City, Utah. The Organization has three primary target areas: from the Davis County line south to 1700 South and from 2200 West to I-15; the area between 600 North and North Temple and I-15 to 500 West; and the area from 800 North to 300 North and 400 West to 200 West. The following programs are currently in operation:

> Home Ownership Preservation and Promotion program provides financing for qualified first-time homebuyers and for home improvement and construction loans for persons who are unable to obtain financing from traditional sources. These individuals are usually considered too "high-risk" by financial institutions. The program also provides homebuyer education, financial fitness, counseling, and down payment assistance grants.
>
> Community Based Economic Development program provides activities that improve commercial economic conditions in the community.
>
> Community Building and Organizing program provides community organizing and other activities that help residents and other stake holders come together to develop and provide leadership to build a strong community. The program includes the Youthworks project, which provides home construction and improvements using troubled youth from target areas. These participants assist loan clients with construction and learn job skills for future employment.
>
> Asset and Property Management program includes long-term responsibilities of ownership of real estate.
>
> Real Estate Development program provides activities involved in developing residential, commercial, and multi-family real estate.

Financial Statement Presentation

The accompanying financial statements of the Organization have been prepared using the accrual method of accounting.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Net assets of the Organization are reported according to the following three classes of net assets:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the Organization's operations. Assets designated by the Board of Directors for a specific purpose also are accounted for in this fund.

Temporarily Restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently Restricted - accounts for gifts requiring in perpetuity that the principal be invested and the income only be used.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and highly liquid investments with maturities of three months or less. Restricted cash is not considered a cash equivalent.

Contributions

Contributions are recorded as revenue when cash is received or the Organization receives an unconditional promise to give from the donor. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Mortgage Loans Receivable and Loan Loss Reserve

Mortgage loans receivable are stated at the unpaid principal amount reduced by the loan loss reserve and deferred loan origination fees. Interest on the loans is calculated using the simple interest method on daily balances of the gross principal amount outstanding. Interest rates range from zero percent to eight percent with monthly payment terms ranging from one to thirty years. The loans are secured by real property.

The loan loss reserve is maintained at a level considered adequate to provide for estimated future credit losses, based on management's past experience. The reserve is increased by provisions charged to operating expense and reduced by net charge-offs.

Property Held For Development, Rehabilitation and Sale

Property held for development, rehabilitation and sale represents property purchased in target areas for development and rehabilitation. Once rehabilitation is complete, these properties are sold to third parties.

Management reviews property held for development, rehabilitation and sale to determine estimated net realizable values. Property carrying amounts in excess of net realizable values are reduced to their net realizable values and reflected in the allowance for loss.

Property and Equipment

Property and equipment are recorded at acquisition cost or, where donated, at estimated market value at the date of the donation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 3 to 15 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Donated Services

Amounts for donated services are reflected in the financial statements if the services create or enhance nonfinancial assets. The Organization pays for most services requiring specific expertise. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Nonprofit Status

The Organization was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code.

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are directly classified to that program or service. Other expenses that are common to several functions are allocated on a reasonable and systematic basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-lived Assets

The Company reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as measured by a comparison of estimated future cash flows (undiscounted and without interest charges) to the carrying value of the asset. Assets held for sale are written down to their fair value, less cost to sell.

NOTE 2 - CASH BALANCES:

The Organization's cash is held in federally insured bank accounts. The cash balances in two banks exceed the federally insured limit of $100,000 by a total of approximately $225,000 at June 30, 2008. This is considered a concentration of credit risk. Management does not believe the credit risk associated with this concentration is significant.

NOTE 3 - RESTRICTED CASH:

At June 30, 2008 and 2007, restricted cash included $72,525 and $114,943 held as a reserve for loans sold to Neighborhood Housing Services of America (NHSA) as more fully described in Note 4. It also includes cash related to the Community Development Block Grants and Home Program Grants.

Restricted cash consists of the following:

	June 30, 2008	June 30, 2007
Escrow and suspense funds	$ 39,228	$ 41,765
Community Development Block Grant	303,660	557,439
Neighborhood Housing Services of America	72,525	114,943
Loan proceeds payable to NHSA	102,476	-
Home Program	43,911	43,911
Funds restricted for purchase of assets and equipment	-	25,000
	$561,800	$783,058

NOTE 4 - MORTGAGE LOANS RECEIVABLE:

Mortgage loans receivable were funded through the following sources:

	June 30, 2008	June 30, 2007
Organization assets	$ 652,322	$ 372,284
Community Development Block Grant	529,391	572,124
Neighborhood Reinvestment Corporation	34,642	84,805
Community Development Financial Institutions	1,187,088	1,024,006
Revolving loans	513,135	524,698
	2,916,578	2,577,917
Less loan loss reserve	(123,154)	(108,679)
Less deferred origination fees	(28,045)	-
	$2,765,379	$2,469,238

During the year ended June 30, 2000, the Organization sold revolving mortgage loans totaling $2,762,000 to NHSA. The Organization continues to provide mortgage loan services to NHSA for these loans. As part of this sale, the Organization is required to replace or repurchase loans which become more than 90 days delinquent. The Organization is required to secure this obligation by maintaining additional mortgages and/or cash equal to twenty percent of the outstanding principal amount of the mortgages held by NHSA. The balance of these sold mortgage loans total $771,205 and $872,272 at June 30, 2008 and 2007. At June 30, 2008 and 2007, the Organization has classified approximately $73,000 and $115,000 as restricted cash to meet this requirement. However, the Organization has the option of using existing mortgage loans to meet this requirement. During the years ended June 30, 2008 and 2007, the Organization was not required to replace or repurchase any loans.

During the year ended June 30, 2005, the Organization sold revolving mortgage loans totaling approximately $710,000 to NHSA. The Organization continues to provide mortgage loan services to NHSA for these loans. As part of this sale, the Organization is required to replace or repurchase loans which become more than 90 days delinquent. The Organization is required to secure this obligation by making a cash deposit with NHSA equal to ten percent of the outstanding principal amount of the mortgages held by NHSA. The balance of these sold mortgage loans total $300,681 and $411,532 at June 30, 2008 and 2007. At June 30, 2008 and 2007, NHSA held on deposit $70,926 of the Organization’s funds as security. In the case of delinquent loans, the Organization has the option of using existing mortgage loans or their deposit to meet the requirement to replace or repurchase loans. During the years ended June 30, 2008 and 2007, the Organization was not required to replace or repurchase any loans.

The Organization provides mortgage assistance primarily to low-to-moderate income individuals. The mortgage loans receivable are considered a concentration of credit risk.

NOTE 5 - PROPERTY HELD FOR DEVELOPMENT, REHABILITATION AND SALE:

Property held for development, rehabilitation and sale consists of the following:

	June 30,	
	2008	2007
Vacant residential lots	$ 362,803	$ 688,280
Residential real estate under rehabilitation or development, or held for sale	3,679,169	2,765,744
	4,041,972	3,454,024
Less allowance for loss	(43,373)	(84,143)
	$3,998,599	$3,369,881

NOTE 6 - INVESTMENT IN AND ADVANCES TO RELATED REAL ESTATE LIMITED LIABILITY COMPANY:

The Organization owns a .0067 percent managing member interest in a limited liability company that owns a multi-family low-income housing project (the Project) in the Organization's target area. Investment in and advances to this related real estate limited liability company are as follows:

	June 30,	
	2008	2007
Loan receivable - interest at 1 percent, payable from available Project cash flow, balance due September 29, 2035, secured by the Project's real property.	$ 378,550	$ 378,550
Loan receivable - interest at 1 percent, due August 1, 2035. Payments are due from available project cash flow after payment of any deferred development fee. The loan is secured by the Project's real property.	300,000	300,000
Loan receivable - interest at 1 percent. Payment of principal and accrued interest is due June 1, 2035 or potentially upon the sale or refinancing of the Project. The loan is secured by the Project's real property and an assignment of rents.	465,000	465,000
Capital contributed as the .0067 percent managing member of the Project.	519,586	519,586
	$1,663,136	$1,663,136

At June 30, 2008, the Organization has recorded interest receivable of $19,698 related to these notes receivable. Subsequent to year end, the Project repaid the accrued interest balance at June 30, 2008, in addition to reducing the loans receivable balance by $86,969.

In connection with the Organization's role in the development of the Project, the Organization entered into a master lease agreement relative to the Project's commercial space as more further described in Note 8. The Organization has also made certain commitments and guaranties as more fully described in Note 14.

In connection with the Organization's role in the development of the Project, the Organization is to receive a development fee. During the year ended June 30, 2004, the Organization received $60,000 as a development fee payment. The $60,000 payment was recorded as development fee revenue during the year ended June 30, 2004. The remaining fee of approximately $1,048,550 is primarily payable from available project cash flow, and therefore it is uncertain whether the Project will have sufficient cash flow to pay the fee. Accordingly, the Organization has not recorded the unpaid portion of this fee as development fee receivable or revenue as of June 30, 2008 and 2007.

NOTE 7 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2008	2007
Land	$ 53,158	$ 53,158
Buildings	359,772	315,701
Building improvements	42,949	36,419
Vehicles	37,687	37,687
Equipment	157,786	145,456
	651,352	588,421
Less accumulated depreciation	(411,691)	(380,730)
	$ 239,661	$ 207,691

NOTE 8 - ACCRUED MASTER LEASE OBLIGATION:

Effective September 2005, the Organization and a for-profit developer, acting as co-managing members of the related real estate limited liability company discussed in Note 6, entered into a master retail lease agreement (the Agreement) with the Project. Under the terms of the Agreement, the co-managing members committed to lease 13,000 square feet of retail space at the Project for $156,000 per year from October 1, 2005 to September 30, 2010. The co-managing members are also responsible for common area maintenance costs and a proportionate share of property taxes. The Project has the unilateral right to extend the term of the lease an additional five years until September 30, 2015 by giving notice to the co-managing members. The Organization expects the Project to exercise this extension provision.

The co-managing members will sub-lease the commercial space to unrelated tenants. At June 30, 2008 and 2007, the Organization has recorded a liability totaling $161,656 and $211,213 representing the discounted, estimated future cash flows the Organization expects to pay to the Project, net of sub-lease rental receipts, as a result of entering into the Agreement. This estimate is based on future expected occupancy levels and a discount rate of six percent.

NOTE 9 - NOTES PAYABLE - REHABILITATION AND DEVELOPMENT:

Notes payable - rehabilitation and development represent amounts borrowed to develop and/or rehabilitate real estate included in property held for development, rehabilitation and sale. These loans consist of the following:

	June 30,	
	2008	2007
Note payable - Salt Lake City Corporation (SLC), zero interest, principal due when underlying real estate is sold. Secured by real estate included in property held for development, rehabilitation and sale, and cash.	$ 500,870	$ 476,178
Note payable – SLC, interest at 2 percent, principal and accrued interest due August 1, 2008. Secured by real estate included in property held for development, rehabilitation, and sale. This note was repaid subsequent to year end in connection with the sale of the property (see Note 19).	300,000	300,000
Note payable - financial institution, interest at 1 percent, interest only payments due annually on June 1 of each year. All principal and accrued interest is due on June 1, 2014, unsecured.	500,000	500,000
Note payable – Redevelopment Agency of Salt Lake City (SLC RDA), interest at 8 percent, payable as interest is collected on the $465,000 loan receivable, matures June 1, 2035. Secured by corresponding note receivable (see Note 6).	465,000	465,000
Note payable - financial institution, interest at 2 percent, interest only payments required quarterly through April 1, 2011, when the principal and any remaining interest is due, unsecured.	500,000	500,000
	$2,265,870	$2,241,178

The note payable and any related accrued interest owed to the SLC RDA on its note payable totaling $465,000 will only be required to be repaid in an amount equal to the principal and interest the Organization receives from the Project under a corresponding note receivable (Note 6). Accordingly, the Organization has not recorded any accrued interest payable or interest expense in the accompanying financial statements related to this note payable.

Estimated future maturities of these notes payable are as follows:

Year ending June 30,

2009	$ 343,911
2010	-
2011	500,000
2012	-
2013	-
Thereafter	1,421,959
	$2,265,870

NOTE 10 - LONG-TERM DEBT - REVOLVING LOANS:

Long-term debt - revolving loans represents amounts borrowed to make loans to individuals living in target areas. These loans consist of the following:

	June 30,	
	2008	2007
Notes payable, interest currently at 3.58 percent and variable up to a maximum of 6 percent based on the U.S. Treasury rate. Principal and interest payments required as corresponding loans receivable are collected, secured by loans made with these loan proceeds. All principal and accrued interest is due on February 22, 2009.	$ 515,965	$ 528,538
Note payable, interest at 2.3 percent with interest due quarterly. Maturing July 26, 2012.	1,350,000	1,350,000
	$1,865,965	$1,878,538

Estimated future maturities of this long-term debt are as follows:

Year ending June 30,

2009	$ 515,965
2010	-
2011	-
2012	-
2013	1,350,000
	$1,865,965

NOTE 11 - REVOLVING LINE OF CREDIT:

The Organization entered into a revolving line of credit agreement effective March 27, 2007. The line of credit has a maximum borrowing limit of $2,000,000 and bears interest at the Base Rate less a margin of 2.80 percent. The Base Rate equals the greater of the Federal Funds Effective Rate less one half of one percent or the Prime Rate. The margin may be adjusted by the lender each quarter and the overall interest rate may increase up to 2 percent annually. At June 30, 2008, no amounts had been borrowed on this line of credit.

NOTE 12 - NET ASSETS:

Net assets consist of the following:

	June 30,	
	2008	2007
Unrestricted net assets:		
Property and equipment	$ 239,661	$ 207,691
Investment in and advances to related real estate limited liability company, net of note payable	1,198,136	1,198,136
Undesignated	531,359	335,572
	1,969,156	1,741,399
Temporarily restricted net assets:		
Neighborhood Reinvestment Corporation Grants	57,015	50,515
Grants to new home buyers	-	28,000
Youthworks	-	56,513
Leadership development	4,000	-
Annual meeting	-	16,000
Home ownership promotion	10,000	51,000
Real estate development	-	25,000
	71,015	227,028
Permanently restricted net assets:		
Community Development Block Grants	1,618,097	1,539,526
Neighborhood Reinvestment Corporation Grants	2,001,370	1,851,370
	3,619,467	3,390,896
	$5,659,638	$5,359,323

Community Development Block Grants (CDBG) are used to make first and second mortgage loans to individuals and for property acquisition, development, and rehabilitation in target areas. Grants received and the related interest earned on the related loans are restricted for this purpose. Permanently restricted CDBG funds are reduced for losses incurred on loans made with CDBG funds and for losses on property sold where CDBG funds are used for acquisition, development, and/or rehabilitation of the property.

Permanently restricted Neighborhood Reinvestment Corporation Grants are used for down payment assistance, property acquisition, development, and rehabilitation in target areas. Upon completion of development or rehabilitation, these properties are sold. These grants are restricted for this purpose.

The permanently restricted net assets are invested as follows:

	Community Development Block Grants		Neighborhood Reinvestment Corporation Grants	
	June 30,		June 30,	
	2008	2007	2008	2007
Restricted cash	$ 303,660	$ 557,439	$ -	$ -
Mortgage loans receivable	529,391	572,124	34,642	84,805
Property held for development, sale or rehabilitation	785,046	409,963	1,966,728	1,766,565
	$1,618,097	$1,539,526	$2,001,370	$1,851,370

NOTE 13 - CONCENTRATIONS AND CREDIT RISK:

The Organization provides mortgage loans to low-to-moderate income individuals in the Salt Lake City area. Mortgage loans receivable are a concentration of credit risk. Also, the Organization has a significant investment in real property concentrated in a small section of Salt Lake City. As discussed in Note 2, the Organization has cash held in federally insured bank accounts that exceeds the federally insured limit. Management does not believe the credit risk associated with these concentrations is significant.

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

As discussed in Note 4, the Organization has sold revolving mortgage loans to NHSA and continues to service these loans. Under the first sale agreement, the Organization is required to replace or repurchase any loan which becomes more than 90 days delinquent and is required to hold additional mortgage loans and/or cash equal to twenty percent of the outstanding principal amount of these mortgage loans held by NHSA under this agreement. At June 30, 2008 and 2007, the principal balance of the mortgage loans sold to NHSA totaled $771,205 and $872,272. At June 30, 2008 and 2007, none of these mortgage loans were more than 90 days delinquent.

Under the second sale agreement, the Organization is also required to replace or repurchase any loan which becomes more than 90 days delinquent and is required to maintain on deposit with NHSA an amount equal to ten percent of the amount of the outstanding principal amount of mortgage loans held by NHSA under this agreement. At June 30, 2008 and 2007, the principal balance of the mortgage loans sold to NHSA totaled $300,681 and $411,532 and NHSA held a deposit of $70,926 from the Organization. At June 30, 2008 and 2007, none of these mortgage loans were more than 90 days delinquent.

As discussed in Note 6, the Organization owns a .0067 percent managing member interest in a limited liability company that owns a multi-family low-income housing project (the Project).

With this role, the Organization has made the following commitments:

Construction Completion and Development Deficit Guaranty

The managing member shall cause the final completion of construction to occur and shall advance to the Project an amount equal to all development deficits or operating deficits until the lease-up date. Any such advances shall be deemed to be capital contributions. This guarantee expires once the project achieves breakeven operations as defined by the operating agreement. As of June 30, 2008, the Organization has advanced $519,586 under this guarantee. The requirements of the lease-up date were met in October 2005 and the Organization's obligation under this guarantee has ended.

Operating Deficit Guaranty

The managing member guarantees it will make advances up to $650,000 (the Organization's share of this totals $435,500) to the Project to fund operating deficits at any time during the period after the lease-up date until the Project has operated at break-even for at least three consecutive calendar years and the Project has a sufficient operating reserve as defined in the operating agreement. The operating deficit loans shall be non-recourse, non-interest bearing and be payable solely from net cash flow.

Tax Credit Recapture Guaranty

The managing member guarantees to pay amounts to the investor member if there is a tax credit recapture event. The payment amount shall be equal to any deficiency assessed against the investor member resulting from a tax credit recapture event plus any penalty and interest related to the deficiency and any tax resulting from any payment as a result of this agreement.

Tax Credit Availability Guaranty

The managing member guarantees to pay amounts to the investor member if during the tax credit period the actual credits are less than projected credits.

NOTE 15 - RETIREMENT PLAN:

The Organization sponsors a defined contribution retirement plan (the Plan). Employees can make contributions to the Plan. After one year of service, the Organization also makes matching Plan contributions on behalf of eligible employees. Organization contributions vest immediately to the employee. During the years ended June 30, 2008 and 2007, Organization contributions to the Plan totaled $13,452 and $9,120.

NOTE 16 - RELATED PARTY TRANSACTIONS:

Certain members of the Organization's board of directors are employed by lenders who have provided loans to the Organization.

As of June 30, 2008 and 2007, the Organization has made investments in and advances to a related real estate limited liability company totaling $1,663,136 as more fully described in Note 6. The Organization has also entered into a master retail lease agreement with this same related party as more fully described in Note 8. Subsequent to year end, the Organization received a payment of interest and principal on the loans receivable from this related party as more fully described in Note 6.

NOTE 17 - GRANTS:

At June 30, 2008, the Organization has available HOME Funds of approximately $531,884 to be used either to originate loans as the Organization finds qualified borrowers or to develop new housing consistent with the terms of the grant contract.

NOTE 18 - UCDC GRANT:

During the years ending June 30, 1999 and 2000, the Organization made grants totaling $100,000 to Utah Community Development Corporation (UCDC), a Salt Lake City non-profit organization. UCDC used these grant amounts in a home purchase down-payment assistance program which provided $2,000 interest free loans or grants to low-income recipients. Amounts disbursed under this program will be considered grants to recipients if the recipients do not sell or transfer title to their homes during the first 15 years of their mortgage. If the recipients sell or transfer title to their homes during the first 15 years of their mortgage, the original amount loaned will be repaid to the Organization. Any amounts repaid will be reflected as revenue in the financial statements. During the years ended June 30, 2008 and 2007, $6,500 and $10,515 was received under this agreement and recorded as revenue.

NOTE 19 – SUBSEQUENT EVENT:

Subsequent to June 30, 2008, the Organization sold property included in properly held for development, rehabilitation and sale at year end for $1,000,000. In connection with this sale the Organization repaid its note payable to Salt Lake City Corporation in the amount of $300,000 and approximately $18,000 in accrued interest.

ADDITIONAL INFORMATION

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Number	Federal Loan Balances and Expenditures
United States Department of Housing and Urban Development			
Pass-through Salt Lake City:			
Community Development Block Grant	14.218	-	$ 115,487
HOME Funds (1)	14.239	-	2,675,225
Pass-through NeighborWorks America	14.169	-	13,891
United States Department of the Treasury			
Community Development Financial Institutions Fund	21.020	#991CD001469	1,199,411
Neighborhood Reinvestment Corporation			
Expendable Grant	99.999	-	92,955
Capital Grant	99.999	-	150,000
			$4,246,969

(1) Major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

NOTE A - GENERAL:

The schedule of expenditures of federal awards presents the activity of all federal award programs of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake (NWSL). The NWSL reporting entity is defined in Note 1 to NWSL's financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE B - BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards is presented using grant accounting principles. Certain government and other grants require that an other comprehensive basis of accounting be followed. The differences from accounting principles generally accepted in the United States of America are as follows: acquisition of capital assets are recorded as expenses rather than being capitalized and depreciated and supporting services are reflected with program expenses rather than reflected separately.

NOTE C - SUB-RECIPIENTS:

NWSL did not provide federal awards to sub-recipients.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 6, 2008

To the Board of Directors and Management of
Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake

We have audited the financial statements of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake as of and for the year ended June 30, 2008, and have issued our report thereon dated October 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake in a separate letter dated October 6, 2008.

This report is intended for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake, Hill & Myers

Lake, Hill & Myers

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 6, 2008

To the Board of Directors and Management of
Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake

Compliance

We have audited the compliance of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's management. Our responsibility is to express an opinion on Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's compliance with those requirements.

In our opinion, Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The management of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Salt Lake Neighborhood Housing Services, Inc. dba NeighborWorks® Salt Lake's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake, Hill & Myers

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Summary of Auditors' Results

i. The auditor issued an unqualified opinion on the financial statements of the Organization.

ii. There are no material weaknesses in the internal control over the financial statements disclosed as a result of the audit of the financial statements.

iii. The auditor noted no instances of noncompliance which are material to the financial statements of the Organization.

iv. There are no material weaknesses in the internal control over major programs disclosed as a result of the audit of the financial statements.

v. The auditor issued an unqualified opinion on compliance with requirements applicable to each major program.

vi. The auditor identified one finding reported under the caption of Findings.

vii. Major programs consisted of:

	Federal CFDA Number	Expenditures
United States Department of Housing and Urban Development		
HOME Funds	14.239	$2,675,225

viii. The dollar threshold to distinguish Type A and Type B programs was $300,000.

ix. The Organization qualified as a low-risk auditee.

(continued)

Finding

Audit Findings-Compliance Requirements

Ref	Finding
08-1	Untimely Remittance of HOME Principal Proceeds

Criteria

When a property is sold, the Organization is required to remit to Salt Lake City Corporation the HOME principal proceeds within 60 days of the date of sale.

Condition

The Organization sold a property but did not remit the HOME principal proceeds totaling $43,911 to Salt Lake City Corporation within 60 days.

Cause and/or Effect

The Organization did not comply with its HOME loan agreement with Salt Lake City Corporation and remit the HOME principal proceeds within 60 days of the sale.

Recommendation

We recommend that the Organization remit HOME principal proceeds totaling $43,911 to Salt Lake City Corporation.

Management Response

The loan in question was on a property that was a Rehab. Rehab loans are typically funded with CDBG dollars. This loan used money from both HOME and CDBG, something that had not previously happened. Therefore when the borrower paid the loan off it was believed to be CDBG money.

Once this matter was brought up in the audit, the principal amount of the HOME funds was repaid to the City within the next check cycle.

There are proper procedures in place to handle the repayment of HOME funds loans; this case was an anomaly. Going forward NeighborWorks has created a Senior Management Team who will be more involved and knowledgeable with the loan programs as well as the entire organization. This shared knowledge and increased involvement by the Managers of the Lines of Business in the Finance area serve as an extra check on these matters.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2008

Ref	Corrective Action
08-1	The HOME principal proceeds were remitted to Salt Lake City Corporation subsequent to year end once the finding was discovered.

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.
dba NEIGHBORWORKS® SALT LAKE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

Ref	Finding
	There are no prior audit findings.